

Gail Margolis, Deputy Director
Medical Care Services
Department of Health Services
744 P Street, Room 1253
P.O. Box 942732
Sacramento, California 95814

Dear Ms. Margolis:

Please be advised that effective June 14, 2001, the Health Care Financing Administration was renamed the Centers for Medicare and Medicaid Services (CMS). I am pleased to inform you that CMS is approving California's request for a 2-year continuation of its Hudman Waiver Program authorized under 1915(b)(4) of the Social Security Act (the Act). This approval provides for a waiver of the following sections of the Act: 1902 (a)(23) Freedom of Choice, in order to permit California to continue to operate the Hudman Waiver from July 16, 2001, through July 15, 2003.

This decision is based on evidence submitted to HCFA demonstrating that the State's proposal is consistent with the purpose of the Medicaid program and will meet all statutory and regulatory requirements for assuring beneficiaries access to care, quality of services, cost-effectiveness for section 1915(b) waiver programs, and will not restrict emergency services. As indicated in the State's Hudman Waiver Renewal Action Plan, our approval is contingent on several conditions listed below:

Cost-Effectiveness

1. Upon the next renewal submission, the State will provide to us a report comparing actual program costs with projected program costs to determine accuracy of projections.
2. The State will develop a new methodology for the cost analysis which will address :
 - data assumptions that have not changed since initial application and the empirical basis for such assumptions,
 - incorporating an annual percent factor for inflation to account for the projected cost of services,
 - request for 12 months of data rather than only 6 months to control for any seasonal fluctuations,
 - changing the baseline to a more current time period, and
 - more accurate methods to project utilization such as regression analysis.

The Health Care Financing Administration (HCFA) was renamed to the Centers for Medicare & Medicaid Services (CMS). We are exercising fiscal restraint by exhausting our stock of stationery.

Quality

3. The State will submit data comparing compliance levels between the distinct-part and free-standing NFs and describing the methodology used to gather and analyze this data.
4. The State will develop a client satisfaction survey form and submit it to Region IX for review by January 1, 2002. The State will submit results of this survey with the next waiver renewal submission.
5. The State will submit complaint data including the number of complaints and number of complaints validated by NF type and corrective actions taken. This data will be drawn from all available sources including Licensing and Certification survey results, Ombudsman Office complaints and State Crisis Line complaints.

Access

6. The State will submit data on the impact of the Hudman waiver on utilization and accessibility of care by NF type.

According to regulation, waiver renewal requests must be made 90 days before the expiration date of the waiver. Therefore, this waiver authority may be renewed, by submitting a request for renewal on or before April 16, 2003.

We appreciate the State's efforts in continuing this program to provide for accessible, quality, and cost-effective long-term care for Medicaid enrollees, and wish you continued success.

If you have any questions, please contact Richard Spector of the San Francisco Regional Office at (415) 744-2978, or Chevell Thomas of the Baltimore Central Office at (410) 786-1387.

Sincerely,

Theresa A. Pratt
Director
Division of Integrated Health Systems
Disabled and Elderly Health Programs Group
Center for Medicaid and State Operations

cc: Linda Minamoto, ARA Region IX
Eileen Turner, Region IX
Richard Spector, Region IX
Lillian Spuria, OMB